

**Government Organization, 11/76-1/77**

Folder Citation: Collection: Office of Staff Secretary; Series: 1976 Campaign Transition File;  
Folder: Government Organization, 11/76-1/77; Container 2

To See Complete Finding Aid:

[http://www.jimmycarterlibrary.gov/library/findingaids/Staff\\_Secretary.pdf](http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf)

Staff meet i me before  
Cabinet Selections

Be tough on WH staff  
Non statutory Δ's - Leary  
?'son memo

301-648-  
5211

STATIC REPRODUCTION MADE FOR  
PRESERVATION PURPOSES

ELECTROST  
PR

MADE FOR

Separations\*  
(Full Time Permanent)

GS and Similar

	Total	1-4	5-8	9-12	13-15	16-18
Separations April '73 thru March '74	130,438	51,667	37,844	28,953	11,366	608
Average Employment	1,272,487	279,298	390,704	425,426	171,968	5,091
Separation Rate	10.2	18.5	9.7	6.8	6.6	12.0

\*Separation include Retirements, Resignation, Separation (due to declinations,) Termination and Removal, Reduction In Force, Death, Suspension (schedule to exceed 30 Calendar days), Furlough-MIL, LWOP (scheduled to exceed 30 Calendar days) and Furlough NTE (scheduled to exceed 30 Calendar days upon expiration of seasonal work)

Source: U.S. Civil Service Commission, Central Personnel Data File

ELECTROSTATIC REPRODUCTION MADE FOR  
PRESERVATION PURPOSES

Disusse & Jack  
JC

TRANSITION STAFFING PATTERN FOR GOVERNMENT ORGANIZATION >

Subject to further guidance from Governor Carter, the Government Organization Team will work in the following areas:

1. Prepare a management and staffing study of the White House and Executive Office.

Under the direction of Ham Jordan and Jack Watson, Harrision Wellford will coordinate a task force to study the day-to-day operations and staffing of the Presidency. The goal is to prepare a memorandum by Christmas which will: a) identify areas where White House staff and budget can be cut without compromising efficiency; b) identify ways to reduce the staff perquisites and privileges which contribute to the atmosphere of the "imperial" Presidency; c) to have a smoothly running operation ready to be plugged in by January 20. Members of the task force will be: Jim Gammill, Richard Hardin, Joe Mitchell, Ray Calamaro (from the Vice-President's staff), Katie Beardsley, and John Harmon.

2. Develop proposals for changing the Departmental and agency structure to reduce overlap, waste, and duplication in government.

Governor Carter promised in the campaign to bring about major consolidation at the bureau and program level

(Department of Energy, drug abuse and control, health programs, welfare programs, etc.). Once we have clear signals from Governor Carter, work in this area should proceed on two levels:

- a. develop some short term options into legislative proposals which can be initiated during the "honeymoon" period. Some early action on "ripe" proposals will help telegraph the seriousness of your commitment to government reorganization. The best bets are developing a Dept. of Energy, reorganizing or abolishing the CAB, and creating an Agency for Consumer Advocacy. Action on each of these proposals is pending in Congress. You must act soon or lose the initiative. Development of any one of these proposals will require discussion with citizens groups, Congressional committees, affected industries and trade associations, development of detailed option papers for Governor Carter, and drafting of legislation and backup documents.
- b. set up a study commission<sup>or</sup> a task force, to consider major long-term restructuring options at Departmental, bureau, and program level over next four years. We will design the study commission and prepare its agenda.

Doug Costle, John Harmon, Katie Beardsley and Ray Calamaro will work in this area. They will also coordinate reorganization ideas generated by the agency liaison teams

during the transition period.

3. Prepare reorganization legislation.

Governor Carter has indicated that he will seek reorganization plan authority from Congress after his inauguration. There are several important issues to be resolved before the scope of that authority can be defined:

- (1) Whether Governor Carter should seek authority to create, consolidate or abolish cabinet departments by reorganization plan; *yes*
- (2) Time period for extension of authority; *4 years*
- (3) Whether legislation should require negative vote by both Houses to veto reorganization plan, rather than present single House veto; *prefer this*
- (4) Whether to seek authority to reorganize the EOP by executive order without further Congressional scrutiny; *yes*
- (5) Whether to seek "no-amendment rule," "referral to single committee, and "expedited procedures" for the Administration's reorganization bills. *Pres amend*

Mary Shuman and John Harmon will be working closely with the staffs of the House and Senate Government Operations Committees first to resolve the legal questions involved in expanding the scope of the President's reorganization authority and then to draft the actual reorganization legislation.

4. Develop management and personnel policy options into programs for first term.

This project will be staffed by Jule Sugarman and Terrance Deverney, relying heavily on outside consultants such as Bill Drayton who advised the Policy Planning Group. This project will:

- a). Examine OMB's role in supporting the President as manager of the government including consideration of:
  - 1. Presidential Management Review sessions.
  - 2. State of the government reporting.
  - 3. Appraisal of Presidential appointee performance.
- b). Develop an approach and process for examining the administrative feasibility of proposed legislation.
- c). Identify problems in the fiscal relationships among federal, state and local governments.
- d). Develop incentives for improving productivity and good leadership in Civil Service.
- e). Study federal pay question.

*Best move in*



## 5. Regulatory Reform Analysis

This project will include four specific functions:

- (1) Consideration of major current regulatory reform issues.

On the basis of initiatives generated by the Ford administration and/or Congress, certain major legislative issues in the area of regulatory reform must be addressed during transition, to enable the incoming administration to formulate its own position and avoid losing control of the course of legislation in the 95th Congress. The two most important such issues are, first, airline deregulation and, second, the Agency for Consumer Advocacy. Major proposals on each of these two points with substantial backing will probably move forward rapidly in Congress next year. We understand that the Ford Administration will propose a new initiative regarding airline deregulation before January 20, 1977. The new administration needs to develop its response to these questions, and, if it wishes to adopt a leadership posture, it must do this in the early months of 1977. Especially with respect to airline deregulation, assimilation during transition of a complex set of substantive and political factors will be required.

In addition to the ACA and Airline deregulation questions there are a number of other pressing legislative issues in the regulatory reform area: OSHA, banking, communications.

- (2) Agency liaison and policy analysis

The regulatory reform project will be responsible for

performing the functions of general policy analysis and agency liaison to a number of regulatory agencies. The policy analysis function will be especially important, as an aid to personnel selection, with respect to the independent regulatory agencies, inasmuch as the President will lose much of his capacity to shape agency policy after his major appointments to such agencies have been made, since the members of such appointees will serve statutorily fixed terms.

(3) Update Briefing books for appointees to regulatory agencies

Draft briefing books have been prepared, prior to the election, on most of the sixteen agencies within the scope of this project. This work must be updated and completed.

(4) Plan apparatus for permanent consideration and implementation of regulatory reform within the new administration.

This project will be staffed by Si Lazarus, Mary Schuman and Debbie Gottheil, with Ira Millstein as consultant.

11/22/76

Notes for mtgs officers, etc  
with Cabinet  
JC

BLAIR HOUSE  
THE PRESIDENT'S GUEST HOUSE  
1651-1653 PENNSYLVANIA AVENUE

HEW

Role of Sec. → Pres & HEW / Cong

Reorg - Richardson - HEW / labor -

Dept of Ed?

Welfare reform

Status of Soc Sec. future?

Health - Talmadge - Prospective Reimb.

Nat H. Plan & Res Dev Act expires '77-

Immunizations

Bill Miller

BLAIR HOUSE  
THE PRESIDENT'S GUEST HOUSE  
1651-1653 PENNSYLVANIA AVENUE

OMB

OMB vs Pres vs Cabinet vs Cong  
Need for Domestic Council?

Improve NSC

OMB lead Reorg effort?

Assess ZBB

OMB role in Defense/Inter budget

Multiyear budget?

Lynn vs <sup>new</sup> OMB director

Degree contact OMB staff/my staff

Current spending levels

WH Staff size - structure

BLAIR HOUSE  
THE PRESIDENT'S GUEST HOUSE  
1651-1653 PENNSYLVANIA AVENUE

Defense

How to mesh State/DoD

Role of NSC Advis = Kiss vs Scowcroft

Defense Program Review Committee  
President's role

How centralized should DoD be?

Organizational Δ's? 2 Deputy Sec's?

Role of joint chiefs - Qual Addition

Need to modify basic deployments

Role of Dir Cent Intel

How Rec Def Int Ag → Sec/J Chiefs

Δ in handling Nat Intel Est

Function Mil Asst w/ H. rank?

When <sup>must</sup> will decisions be made on:

New tank, JCBM-MX, arms sale, B-1, C.M.'s

Budget - Services vs Sec vs OMB

Issues in dispute

Briefings

Strategic Integ Op Plan (SIOP) - when, where?

Nat Mil Com Center - " "

Visit to JCS

NATO

My staff have data on military balance

Foreign arms sales

Shipbuilding claims

SALT - services disagree?

Combat readiness

Evaluation of Korea

Best DoD policy planning organization

2-year budget cycle

BLAIR HOUSE  
THE PRESIDENT'S GUEST HOUSE  
1651-1653 PENNSYLVANIA AVENUE

Treasury

Leverage & OPEC ? Saudi/Iran/Venez

IMF loan  $\Rightarrow$  Britain - Diff. Simon vs Kis

LDC's "bankruptcies"

Advisability of Econ Summit in '77

NYC - assessment - moratorium  
extend seasonal financing Dec/Jan?

Econ Policy Bd

Council Int Econ Pol - Organize?

US econ conditions - prospects

Advice on action - Tax cut, etc



BLAIR HOUSE  
THE PRESIDENT'S GUEST HOUSE  
1651-1653 PENNSYLVANIA AVENUE

Fed Res

Pres / Cong set goals

Advice directly to President

Economic outlook

Priority for stimulation if needed

Goals '77 6% Growth 6 1/2% Unemp

No  $\Delta$  in inflation

Term of office

Consult on appointments

Green book - Set up CEA

*Copies to  
Cabinet  
J*

181

To: The President-elect  
From: Harrison Wellford  
Date: December 1, 1976  
Subject: Government Reorganization - Transition Agenda

After consultation with Jack Watson and Stu Eizenstat, we have developed the following agenda:

A. Management and staffing study of the White House and Executive Office.

Harrison Wellford, assisted by Richard Harden and Jim Gammill, will coordinate a task force to study the day-to-day operations and staffing of the Presidency (personal office and institutionalized staff). The goal is to prepare a memorandum which will: (a) identify areas where White House staff and budget can be cut without compromising efficiency and (b) identify ways to reduce the staff perquisites and privileges which contribute to the atmosphere of the "imperial" Presidency. (A detailed work plan will be delivered tomorrow.)

B. Restructuring

Consistent with your meetings with Congressman Brooks and Senator Ribicoff on November 23, and in order to put you in a position to move quickly on government reorganization by January 21, we are developing the following items:

1. Reorganization legislation: draft legislation which will give you the broad authority you need to reorganize the executive branch;
2. A careful analysis of the several alternatives available to you in organizing and staffing your government reorganization efforts; and
3. Recommendations on ways in which the reorganization might be carried out.

#### I. Reorganization Legislation

The Reorganization Act of 1949 (as amended), which expired in 1973, provided that reorganization plans submitted by the President would become law if they were not vetoed by either *both* House or Senate within 60 days of submission. No amendment was permitted *by Congress*. The President was limited to only one plan in a 30-*delete* day period, and each plan could deal with only one "logically consistent subject matter." Reorganization plans could not be used to consolidate, abolish or create cabinet level departments. The latter restriction compelled President Nixon to submit his Ash Council proposals for departmental consolidation as ordinary legislation, which significantly decreased their chance of passage.

We are consulting with Representative Brooks and Senator Ribicoff and appropriate Congressional staff and are preparing a detailed options paper for you on the scope of the authority which you will seek. Our preliminary recommendation

is for a strong bill seeking greater Presidential discretion than existed under the amended 1949 Act. Such a bill would include:

- o authority permitting the President to consolidate, abolish or create new cabinet departments;
- o a grant of Presidential reorganization authority extending for four years;
- o a provision requiring veto by both Houses (rather than the previous single-House veto) to invalidate a Presidential reorganization plan;
- o authority permitting the President to submit omnibus plans encompassing more than a single "logically consistent subject matter;" and
- o exclusive authority for the President to reorganize the Executive Office of the President.

With the latter exception, all of this authority was given the President in the original 1949 Act, but was subsequently revoked by the Congress. Should Congress be unwilling to enact such a broad grant of authority and require instead that reorganization proposals be treated as ordinary legislation, then provision should be made (a) limiting the ability of Congress to amend the President's proposals and (b) providing for expedited consideration by a single designated committee.

An outline of Reorganization Authority as it existed in 1973 is attached hereto as Appendix A.

II. Alternatives available to you in organizing and staffing your reorganization efforts.

In recent years, many competent analyses have been done on reorganization of the executive branch. These approaches can be quickly developed into detailed options by a compact staff. The real problem is the absence of a plausible political strategy or coalition to push established ideas through Congress.

A central issue in organizing your own efforts in this area will be your decision on how you wish to involve the Congress in the formulation of reorganization proposals before they are sent to The Hill. Among your options are:

- o a panel modeled after the first Hoover Commission, chaired perhaps by a respected former member of Congress (for example, Mike Mansfield) or some other respected national figure, and to which Congress would nominate members (we understand that Senator Ribicoff is unenthusiastic about this approach).
- o an entirely Presidentially appointed panel with an "Executive Committee" consisting of yourself and key members of Congress to review the panel's recommendations before they are forwarded to Congress.
- o a Presidential panel or operation responsible solely to you and serving entirely at your discretion.
- o a project manager operating out of the White House or OMB reporting directly to you and consulting with key Congressional leaders and their staffs on an informal basis.

We are proceeding to develop these alternatives in detail.

Whether your ultimate decision is to follow the "commission" approach or an alternative option, we recommend that a careful and detailed agenda be prepared to guide the effort to assure that government reorganization is broadly defined recognizing that organizational structure may be only a part of the process. We are preparing recommendations on such an agenda for your consideration.

III. Recommendations on ways in which your reorganization effort might be carried out.

From now on, you will be under pressure to deliver on your promise to bring about major consolidation of government agencies and programs. It will be difficult for you to wait until your reorganization "commission" or in-house staff has come up with a general plan. Three immediate steps can be initiated during transition to help you hit the ground running on January 20:

Step One - Early Executive Order Targets

Develop a series of executive actions which can be taken by you in the first few months of your administration and which do not require Congressional concurrence. Proposals already being developed here include: (1) an immediate reduction in the number of "advisory" committees and commissions (now numbering somewhere on the order of 1250); (2) reorganizing the Office Of Management and Budget; (3) reorganizing and reducing the size of the personal White House staff; and (4) a range of Executive Order options available to you which will enable you to make initial downpayments on your pledge to make government more open and worthy of trust. (See our earlier memorandum to you on Government Organization.)



## Step Two - Early Legislative Targets

Develop a few "ripe" proposals into legislative programs which can be initiated during the "honeymoon" period to telegraph the seriousness of your commitment to reorganize the government. The best bets are (1) developing a Department of Energy or Energy and Natural Resources, (2) reorganizing or abolishing the CAB, and (3) creating an Agency for Consumer Advocacy. Action on each of these proposals is pending in Congress. You must act soon or lose the initiative. Development of these proposals will require (a) discussions with citizens groups, Congressional committees, affected industries and trade associations, (b) development of detailed option papers for you to review, and (c) preparation of drafts of legislation and backup documents for review by your White House policy aide.

### Step Three - Program Reorganization

Design a process for analysis and reorganization of the 1,100 programs administered by the federal government. The confusion and inefficiency with which this complex array of programs is administered constitute the primary case for governmental reform.

No one has any clear idea about what this maze of programs is supposed to accomplish or what they in fact do accomplish. Unless the program structure is streamlined and reformed, starting with a zero base review of the purposes and accomplishments of each one, no amount of organizational rearrangement will bring about real and lasting change.

Accordingly, we recommend that reorganization planning begin with the individual programs administered by federal agencies. The essential goal should be to give you and your cabinet and agency heads the means to rationalize existing programs to eliminate overlap and to reorganize the remaining programs to make them effective instruments to accomplish the missions they are supposed to serve. A second goal would be to prepare the departments for mission budgeting and selective zero base evaluation. 220

The following is an explanation of the separate stages of this program analysis and reorganization:

#### a. Sorting of Programs

The Congressional Budget Office functions/missions should be the starting point for analysis of each department's programs. For example, when the 300 plus programs in HEW are sorted into the 14 CBO functions that apply to HEW, they reveal that at least 54 programs overlap with others within the department and 36 overlap with programs elsewhere in the government.

Still, this sorting takes the analysis only partway. While it permits us to identify all of the HEW programs which fall under CBO category 502 "Higher Education", for example, it does not tell us what the various HEW programs relate to what HEW is doing in other subfunctions, such as Vocational Training. A framework for cross-cutting the CBO functions must be employed.

The basic tool for this cross-cutting analysis would be a sorting of all federal programs into "program design categories" that depict how the federal government carries out its functions or how the government pursues its goals. For example, all programs



at HEW can be sorted into one of the five following program design categories.

1. providing financial assistance to individuals (i.e., cash transfers);
2. providing financial assistance to state and local governments, (i.e., categorical matching grants);
3. building the capacity of the public and private sectors to meet specific needs, (i.e., research and development);
4. direct provision of services by the federal government, (i.e., Indian and migrant education and health services);
5. setting regulations and standards for public and private activity, (i.e., health and education standards)

This sorting reveals a different sort of overlap. Several different programs in the department provide financial assistance to individuals. Many other separate programs provide financial assistance grants to state and local governments. The efficiencies which could be achieved through coordination of the programs within the same class become evident.

This sorting of programs first into CBO functions and then into program design categories should be the first phase of the re-organization study.

#### b. Analysis of Information

The use of this new management tool will give you several different kinds of information both by department and by budget mission. For HEW, for example, you will see that

- o there are presently 35 separate programs providing payments to state and local governments for elementary and secondary education;
- o there are at least nine different public health programs;
- o there are 46 different programs providing construction loan guarantees and subsidies, and technical assistance to state social service agencies; these programs fit into five logical groups;
- o there are 23 major R & D programs in HEW which perform six basic functions;

For the "community and regional development" budget mission, you will see all the programs in HUD, HEW, EPA, Labor and Commerce which distribute funds to the private sector. You will also see those programs which channel funds to state and local governments through the various means of tax expenditures, general revenue sharing, special revenue sharing, categorical matching grants, and categorical project grants.

c. Organizational Decisions

With this information about the way the government is now going about the business of trying to accomplish our national goals in the individual departments and in particular budget missions, we will be prepared to ask the hard questions about what the federal government should be doing to pursue those missions:

- o Which programs duplicate one another and should they be consolidated or eliminated?
- o Should programs be shifted from one federal department to another?
- o Why do we need so many different programs with apparently similar goals?
- o Should we reallocate resources away from categorical grants toward revenue sharing or toward vouchers given directly to individuals?

In other words, with this management tool applied to all agencies (excluding Defense, State, Treasury, and Justice for the time being), you can begin--a first for any President--to get an explicit handle on how to think about the relationship between the government and the governed and on how to get this relationship under policy control.

d. Steps During Transition

If this approach makes sense to you, we need your authorization to commence staff work that can, by January 20, proceed through the following specific steps:

- o The development of program design categories suitable for use across the federal domestic agencies (initial categories have already been done for HEW and, in part, for Interior; this work must be refined and completed). This work to be completed by December 15.
- o The completion of a "program sort" into these program design categories and into budget missions for agencies in three key policy areas:
  - income security and human services;
  - energy, environment and national resources; and
  - regional and community development.This work to be completed by January 7.

(This task will be based on agency budgets, budget justifications, and budget execution documents and will require assistance from agency budget/comptroller staffs.)

o The completion of assessments that address the following questions:

- Based on this analysis, what program reorganizations/consolidations should be considered?
- What changes in existing statutes, regulations, and organizations would be required by these reorganizations/consolidations?
- Which Congressional committees/members and which special interest constituencies would be most affected by the changes?
- What reorganizations or realignments of federal departments should be considered?
- What budget issues are raised? What does the Ford budget call for in these categories and what amendments should be considered?
- What implications does the use of this management tool have for the administration of the various departments? How would appointments to sub-cabinet and other non-career posts be affected by a decision to manage each department using this tool?

This work should be completed for Interior and the environment and energy agencies by January 20, and should provide the substantive basis for your proposal to create a Department of Energy or Department of Energy and Natural Resources. Specific recommendations for reorganization of HEW could be developed by the end of February if your proposals for welfare reform and health insurance have been developed by that time.

e. Staffing

This work, which will be undertaken by a group of 5-8 people who are experienced in government, policy oriented, and knowledgeable about programs and program management, can serve as a model or agenda for review and possible execution by either a White House Project Manager or by the staff and members of a Presidential Reorganization Commission.

f. Implementation: Secretary-Led Department Teams

The transition staff will develop the program design categories and complete the "program sort" for each department. However, the actual analysis of the information produced by the "program sort", and the recommendations for rationalization of the department

program structure should be the responsibility of individual department teams led by the department Secretary and his top managers. The department team should include, in addition to budget and policy people, career representatives from program offices, the personnel office, and the general counsel's office within the department, so that important details are not overlooked and so that the line managers who will be charged with carrying out the reforms understand the reasons for those reforms. The work of the department teams will clearly require central coordination. Whether that overall direction will come from a project manager in the White House or in OMB, or from the executive staff of a presidential commission or task force will depend on your decision as to who will lead the reorganization effort.

#### g. Mission Budgeting

The process of analysis and reorganization of the departmental program structure by mission is the natural corollary of mission budgeting. The two processes are at the same time mutually reinforcing and mutually dependent.

The current practice of budgeting program by program and bureau by bureau correctly conforms to the present organizational structure of the departments. Each program is budgeted the same way it is administered, on a virtually independent basis.

To impose mission budgeting on the present structure would risk giving rise to the same kind of artificial exercises that accompanied Johnson's PPBS or Ford's "Management Initiatives". It is quite probable that the budget officer of each department would go off on a year long exercise to "construct" a mission budget by piecing together the various budget needs of the several separate programs in a given mission, while the individual program directors would continue to administer their individual programs as before, with little regard for, or knowledge of the interrelationship of the programs in the same mission.

The program reorganization we recommend would enable the departments to be organized and administered by mission, as well as budgeted by mission.

(The agenda for our Regulatory Agency Project and Intergovernmental Relations will be delivered tomorrow.)



## Appendix A

### Executive Reorganization Authority Under Act which expired in 1973

(Chapter 9 of title 5 of the United States Code (5 U.S.C. 901-913, Reorganization Act of 1949, 63 Stat. 203, as amended))

What the President could do . . .

- o Transfer all or part of an agency or function to another agency.
- o Abolish all or part of the functions of an agency or the agency itself.
- o Consolidate (or coordinate) all or part of an agency or function with all or part of another agency or its functions.
- o Authorize an officer to delegate his functions.
- o Change the name of an agency or the title of its head.
- o Provide for the appointment and pay of the head and officers resulting from a consolidation or other reorganization.

What the President could not do . . .

- o Create a new Executive (cabinet level) department.
- o Abolish or transfer an Executive department.
- o Abolish or transfer all of the functions of an Executive department.
- o Consolidate two or more Executive departments or all the functions thereof.
- o Continue an agency or function or office beyond the time established by law for its termination.
- o Authorize an agency to perform a function not expressly authorized by law.
- o In submitting reorganization plans ---
  - o submit more than one plan within any thirty-day period;
  - o submit a plan dealing with more than one logically consistent subject matter.

Significant provisions in previous versions of executive reorganization authority not contained in the 1971 version of the Reorganization Act of 1949 (chapter 9 of title 5 of the United States Code).

- o Permanent authority, not subject to periodic extensions by the Congress. (Executive Reorganization Act of 1932 (title IV of the act of June 30, 1932, 47 Stat. 413))
- o Authority to create new Executive departments. (Reorganization Act of 1949 (63 Stat. 203))
- o No congressional disapprovals. (Act of Mar. 3, 1933, 47 Stat. 1517)
- o Congressional rejection by concurrent resolution. (Reorganization Act of 1939 (53 Stat. 561), Reorganization Act of 1945 (59 Stat. 613))
- o Congressional rejection by majority of the authorized membership of either House. (Reorganization Act of 1949 (63 Stat. 203)) (Under present law, either House of Congress may reject a reorganization plan by simple majority vote of those present and voting.)

**CARTER - MONDALE  
TRANSITION PLANNING GROUP**

P.O. Box 2600  
Washington, D.C. 20013

C  
/

MEMORANDUM - December 15, 1976

TO: President-elect Carter

FROM: David Rubenstein

RE: Energy Reorganization

Stu Eizenstat suggested that you might want to review this statement before you talked with Senator Jackson.

Gov -

This was rec'd. after your meeting with Sen. Jackson had begun.

GS

JIMMY CARTER ON ENERGY REORGANIZATION

RELEASED SEPTEMBER 21, 1976

There is one question that surmounts all others in the voters mind during this campaign. It is how—or even whether—we can make our government work again.

I have made this theme a major focus of my campaign. I have promised to undertake a major reorganization of the federal government. Today I would like to present my plan for energy reorganization at the federal level, which will permit us to be properly organized to carry out the programs necessary to deal with our energy crisis.

Nowhere is the need clearer for a coordinated and coherent policy than in the area of energy. Two and one half years after the oil embargo our country still has no energy policy. We have had a parade of energy czars, a fragmentation of responsibility, an absence of accountability, and an ill-conceived proposal for energy independence.

The energy crisis is one of leadership and a failure to act aggressively, rather than not having the resources to get the job done.

The facts are alarming:

--In the first six months of this year we imported 44% of our oil needs--up 25% from the fall of 1973. The amount of crude oil imported from the Arab countries has more than doubled. We are more vulnerable than ever to another embargo.

--We had no emergency oil stockpile at the time of the Arab embargo; three years later we still have no oil stockpile; and under the Ford program it would take us another 7 years to accumulate a minimum emergency supply.

--The OPEC countries have it within their power to prevent economic recovery in this country through further price increases, yet we have abdicated to the oil companies our government's responsibility to negotiate with OPEC.

--Our government has as its number one energy priority the proliferation of nuclear power plants at home and around the world that are increasing the danger of nuclear war.

--Our oil and gas production have gone down since 1970, despite the fact that the price has more than doubled.

--We have spent billions of dollars to develop a means of transporting Alaskan oil to the West Coast, only to discover that we do not need it on the West Coast and have no means of getting it to the rest of the country.

--Ever since the embargo we have discussed the need for energy conservation, but we have no program. Yet the President opposed even such obvious measures as requiring by law that automobiles meet mandatory fuel efficiency standards, and he fought legislation that would promote development of more fuel-efficient vehicles.



--Coal is our most abundant fuel, but we have no program to expand its use; inste  
we continue the wasteful use of our scarce resources, like natural gas.

These problems are not just going to go away. They were created when we assumed  
that energy was always going to be abundant and cheap. The embargo dramatically  
showed us that this would no longer be true, and yet our government has not rethought  
either its policy or its organization to reflect today's energy needs. In fact, just  
the opposite has occurred. Rather than creating an effective structure to manage the  
energy problem, a structure which is capable of producing and implementing an energy  
policy, the President has allowed new agencies, special energy offices and special  
assistants for energy to proliferate throughout the government. Right now there are  
no less than 20 departments, agencies or commissions that are directly involved and  
have their separate views on energy policy development. The fact that there has been  
proliferation of agencies has obscured the fact that none of them are operating  
pursuant to a coherent policy.

The chaos created by this lack of organization is apparent:

--Crude oil and natural gas often exist side by side in the same reservoir and  
produced from the same wells. Yet the price of natural gas is regulated by the Fede  
Power Commission (FPC) under one set of economic standards, and the price of oil and  
natural gas liquids extracted from the gas is controlled by the Federal Energy Admin  
stration (FEA) under a different set of standards. Before either of these resources  
reach the ultimate consumers, they fall under the further regulation of not only the  
same two agencies again, but also the ICC, the SEC and state utility commissions.  
Seldom do any of these agencies coordinate with each other, although each makes poli  
decisions that have a direct and substantial effect not only on the use of the fuel  
they regulate, but the demand for all alternative fuels as well.

--Coal is our only domestic energy resource plentiful and readily enough availa  
to see us through the transition from fossil fuels to renewable energy sources such  
solar energy. Many agencies have a role in its development: ERDA, FEA, Department  
Interior. Yet in the end, no agency in the government really has overall responsibi  
for its development in an environmentally sound manner, and the development of a  
national coal program therefore continues to drift.

--Today most energy research is concentrated in one agency, the Energy Research  
and Development Administration (ERDA). But because it is an offshoot of the now def  
Atomic Energy Commission and is not accountable to the other energy programs, its en  
slant is toward the nuclear industry. Sixty-five percent of its research resources  
for fiscal year 1977 are oriented toward nuclear fission and fusion, while only 5%  
go to energy conservation and 6% for solar power. This distribution is folly. We  
now wasting 50% of the energy we are presently using, a figure that could be greatly  
reduced through development of aggressive conservation technologies. The technology  
harness our renewable resources such as the sun could provide our children and gran  
children with a plentiful and environmentally acceptable energy source after our non  
renewable resources are gone.

--The Energy Resources Council is the Ford Administration's excuse for energy  
policy coordination. It is made up of the heads of virtually every agency in Washi  
so that it is top-heavy with officials having little knowledge of or interest in ene  
policy. Its chairman is the Secretary of Commerce, whose agency has only periphera  
involvement in the energy picture and who personally has little or no background or  
experience in the area. The ERC is without any staff or resources.

The Ford Administration has done nothing to straighten out this jumble. When it had the opportunity to make some headway, at the time the life of the FEA expired on June 30 of this year, it merely perpetuated the chaos by timidly proposing that the FEA be extended for another 39 months.

I recognize that reorganization of our energy agencies is only the prelude to solving the energy problems and that it will take new policies and programs--major new initiatives--to regain strength in energy. I have set out on other occasions the energy programs a Carter Administration would emphasize, but they are worth repeating in summary here, to show what the revamped structure will be designed to accomplish:

--I would exercise the federal government's obligation to protect the nation against an oil embargo and to negotiate on behalf of the consumer to keep OPEC prices under reasonable control. The present practice of leaving the consumers' fate in the hands of the big oil companies and the OPEC cartel will be stopped.

--I would institute an all-out, comprehensive energy conservation program. This means performance standards, financial incentives, research and development of more efficient technology, and conservation pricing of energy. The Carter Administration will give a higher priority to conservation.

--I would establish a new "clean coal" program, designed to overcome all the bottlenecks in mining, transportation and conversion of industrial plants but still protecting the land, air and water, and health and safety of coal miners.

--I would institute a major initiative to develop environmentally safe and renewable energy resources, such as solar power. Its development is being neglected, while nuclear power, which poses many dangers, is being favored.

--I would formulate all of my initiatives in partnership with the states and local governments. The best resources of each area of the country will be matched with its important needs.

In order to implement these energy programs, we must begin by straightening out the bureaucratic jumble in Washington. The general outlines of how to go about that are clear. There should be combined in one cabinet-level Department, under a Secretary who would report to the President, all current offices or agencies that presently perform the energy functions of policy and analysis, conservation, research and development, data collection and economic regulation of oil, gas, utilities and pipelines.

I intend to abolish the Federal Energy Administration, the Federal Power Commission, the Energy Research and Development Administration, and the Energy Resources Council. Their combined missions will be carried out by the Department, eliminating in the process the overlap, duplication and inconsistency of our present structure. I would bring into the Department those functions of the Departments of Commerce and Treasury relating solely to energy; those functions of the Securities and Exchange Commission relating to enforcement of the Public Utility Holding Company Act of 1935; those functions of the Interstate Commerce Commission relating to pipeline regulation; and the economic regulatory functions of the Nuclear Regulatory Commission.

Within the Department, it will be necessary to clearly define roles and functions and in certain instances to establish buffers to ensure that functions are insulated from undue political influence. For example, the economic regulatory functions should be properly insulated. Similarly, the energy data collection functions combined in

the Department should be free of the biases of the policymakers, in order to finally give some credibility to the government's energy statistics.

With this kind of coordinated energy department, we can move ahead with a balanced comprehensive program of increasing energy sources, reducing our consumption and increasing our energy independence. But I should emphasize with equal force that the Secretary of this new department will not have unlimited or sole discretion within the Executive Branch to develop and promote the energy program. There is no reason why a balance between energy, on the one hand, and the protection of the environment, the health and safety of our citizens and the multiple use of our public lands, on the other, cannot be achieved. To insure that the latter considerations have an equal role in energy policy, I would keep separate from the new department primarily responsible energy those agencies whose primary responsibilities are for these other considerations.

For example, many of the functions of the Department of Interior relate to energy but the basic mission of that Department is to manage the nation's natural resources for all the public, not to promote energy development. While a sound energy policy will permit development and use of some of the energy resources which the government holds in trust for the public, the maintenance of Interior's "stewardship" role for all uses will assure that energy does not become the dominant factor in public land management.

Similarly, the agencies which are now charged with protection of public health and safety and with restoring and maintaining the quality of our environment (e.g., the Nuclear Regulatory Commission and the EPA) must remain as independent voices for the public goals.

Finally, other departments, such as Transportation and Housing and Urban Development must also play an important and upgraded role in carrying out a comprehensive energy program, by emphasizing energy conservation in the industries they are charged to promote or regulate.

As President, I will give the development of a coherent energy policy, and the creation of a government organization that can put it into effect, the highest priority. This is the kind of thinking that should have been going on inside the White House in the past few years.

What is needed is organization, not continued chaos; leadership, not the passivity of the past two years. The energy problem is not insoluble if we meet it with the vision, determination and competence that will come about only with a change of leadership.

1MM  
PRECEDENCE

UNCLAS  
CLASSIFICATION

FOR COMMCENTER USE ONLY

FROM: Maxie Wells, Plains

TO: Jack Watson  
(TRANSITION OFFICE HEW)

INFO:

DEX \_\_\_\_\_

DAC 068

GPS \_\_\_\_\_

LDX \_\_\_\_\_

PAGES 11

TTY \_\_\_\_\_

CITE \_\_\_\_\_

DTG: 220218Z DEC 76

RELEASED BY: DF

TOR: 220310Z

SPECIAL INSTRUCTIONS:

Jack:

Wanted you to know JC saw this, and wanted you to be able to see where he put check marks.

If his note on page twelve doesn't come through, it says:

"good, but too lengthy"



C. Regulatory Reform Project

The main function of this project is to consider current legislative proposals to restructure government regulation of business, which require your immediate attention. Legislative action is expected early in 1977 on several such areas, including airline deregulation, consumer representation, and aspects of the regulation of communications, banking, and food and product safety. Preparation during transition is needed to avoid the risk that significant legislation will move forward without your leadership or participation. These issues also provide opportunities for demonstrating quick action to fulfill your commitment to government reform. To provide you with this capability, we will first develop the alternative courses of action you may wish to pursue in each area. After you have selected among these options, we will proceed accordingly, by making appropriate contacts, preparing draft legislation, and so forth.

In addition to its focus on major current legislative issues, the regulatory reform unit will be responsible for policy analysis, liaison, and briefing functions for twelve regulatory agencies. The unit will also be responsible for analysis of consumer protection proposals and for relations with consumer groups during transition.

In the balance of this section, we will outline the specific projects now contemplated within each of the above four categories, and specify target dates for completion.

We didn't  
telecopy these  
pages last night.  
Please review them -

JW  
good, but  
Too  
lengthy  
J

I. Major Current Legislative Issues

A. Airline Deregulation. One of the first items on the Congressional agenda in 1977 is airline deregulation and general reform of the CAB. Legislation has been introduced by Sen. Cannon and Rep. Anderson (chairmen of the Senate and House Aviation Subcommittees), by President Ford, by Senator Kennedy, and by the CAB itself. The relevant Senate committee is expected to act early in 1977.

We propose to complete an option memorandum by December 20 for your review.

B. Agency for Consumer Advocacy. Creating an Agency for Consumer Advocacy (ACA) is a consumer group priority item and a campaign commitment. Both Houses passed such legislation last year and are considered likely to act early in 1977.

We plan to complete by January 1 an option memorandum on this issue for your consideration. It will refine the analysis in the paper on the ACA previously given to you, dated November 2, 1976, and will consider certain issues not touched on in that previous paper. These will include the possibility of folding an ACA proposal into a larger consumer reform and/or reorganization package and the possibility of combining ACA with your initial package of legislative proposals addressed to reducing government waste and inefficiency.

C. Competition in the communications common carrier industry. Both Houses of Congress will consider legislation to overturn recent FCC decisions expanding competition in the

common carrier industry. This is a complex issue on which the new administration will be expected to take an early position. Legislative review of this issue could lead to broader consideration of major reorganization and substantive revision of the 40-year old structure of communications regulation. An option memo will be completed by January 5.

D. Additional Legislative Issues. In addition to airline deregulation, the ACA, and communications common carrier legislation, two other legislative concerns merit attention during the transition.

1. Regulation of financial institutions. Several proposals restructuring the several agencies that currently regulate financial institutions will be re-introduced in Congress by Senator Proxmire and Congressman Reuss, who chair the Senate and House Banking Committees. Both chairman have significant interest in these bills and are understood to be looking to the new administration for support and leadership in the area.
2. Restructuring the FDA. Senator Kennedy has proposed splitting the FDA into two bureaus, while House Commerce Investigation Subcommittee Chairman Moss has proposed consolidation of the agency with two other safety commissions (NHTSA and CPSC).

With respect to these and other legislative issues, the regulatory reform project will prepare briefing memoranda. ✓

## II. Policy Analysis and Agency Liaison

As noted above, the regulatory reform project will be responsible for general policy analysis and agency liaison for regulatory agencies. For the independent agencies, policy analysis during transition appears to us to be especially important as an aid to personnel selection, since the President loses much of his capacity to shape agency policy once appointments have been made. Regarding the executive branch regulatory entities for which we are responsible, we have coordinated with the transition staff persons responsible for policy analysis and liaison with the relevant parent executive departments (e.g., HEW for FDA) to eliminate overlapping activity.

In addition to the policy analysis function, the regulatory unit will serve as the liaison to each of the independent agencies. This function will be limited to the collection of information. Care will be taken to respect the independent status of these agencies to avoid any appearance of attempting to influence policy.

## III. Updating and Completion of Briefing Books

Prior to the election, briefing/options books were prepared on each of the sixteen agencies within the scope of



this project. Final versions will be completed on the basis of information gained through agency liaison. This work will be finished by January 5.

#### IV. Regulatory Reform after January 20

During transition, the regulatory reform project contemplates laying the groundwork for establishing a permanent unit to plan and help implement regulatory reform. Under the Ford administration, such a unit functioned under the direction of one CEA member (Paul MacAvoy) and the Deputy Counsel to the President (Roderick Hills and his successor, Edwin Schmults). This group developed the Ford legislative proposals to de-regulate surface transportation, air travel, and natural gas pricing. We understand that the Ford administration plans to release additional regulatory reform proposals or studies, although they may be withheld if the incoming administration so requests.

After discussions with the architects of the Ford regulatory reform program, we plan to prepare an option memorandum describing alternative mechanisms to house the regulatory reform activities of the Carter administration. This memorandum will be completed December 20.

D. Intergovernmental Relations

The intergovernmental issues with the greatest urgency and the most transcendent importance relate to the design and administration of the federal aid system.

An extraordinary array of major federal aid programs come up for renewal in 1977. What this unusual convergence of federal aid program expirations suggests is that much of the attention of the Congress will be focused on explicitly intergovernmental matters in 1977. It also means that the new Administration will have a better than normal opportunity to seek any necessary statutory changes in the pattern of federal aid funding and administration. To the extent practicable a consistent policy on the appropriate mix from among categorical, block, and revenue sharing grants should be developed. Because so much of the federal government's domestic program inevitably involves the aid system and because a major aspect of the work program of nearly all federal departments and agencies includes federal aid administration, intergovernmental concerns are reflected in the work of many agency liason and policy planning and government organization staff members.

At least as important as the legislative renewal timing is the opportunity to use provisions in existing law to improve the administration of the \$60 billion federal aid

system. Particular emphasis on management of the aid system seems justified given the size of the federal expenditure in the area, the opportunity for early forceful action without additional statutory authority, the relationship between federal aid administration and overall management improvement, and the priority placed on such issues by a crucial constituency -- state and local government officials.

The underutilization of available management tools is the result of management problems in the Office of Management and Budget and the relatively low priority placed on such management issues by the current Administration. Implementation of existing management processes and authority has been limited by insufficient and unqualified staff, inadequate top management attention, the predominance of budget preparation over all other OMB activities, and the expected opposition of many operating agencies. The argument that placement of management responsibility close to the budget process gives added leverage in gaining departmental compliance with management objectives seems compromised by the fact that in practice the budget staff typically becomes an advocate for the departments it oversees.

Whether the management functions for intergovernmental purposes are left in a strengthened OMB, moved to a new department of policy and management, or located in the White House, a cluster of existing tools can be put to more effective use. Such tools would be intended to accomplish the following objectives:

1. Enforce uniformity in federal regulations regarding grant recipients' accounting procedures and audit guidelines. (Achievable through OMB enforcement of management circulars FMC 74-4 and 74-7)
2. Encourage and facilitate local and state "packaging" of related grant programs through federal coordination of audit requirements, filing deadlines, application procedures, definitions of eligible governments, and accounting procedures. (Achievable through full Presidential support and OMB and Federal Regional Council implementation of the Joint Funding Simplification Act.)
3. Designate consistent boundaries for federal substate administrative purposes. (Achievable through implementation of OMB Circular A-95, Part IV, in conjunction with gubernatorial action.)
4. Institutionalize state-local consultation in the drafting of intergovernmentally significant federal regulations. (Achievable through full implementation of OMB Circular A-85.)
5. Institutionalize the review of the intergovernmental implications of the Administration's legislative and budget proposals. (Achievable by implementing the aspects of the new Budget Reform and Impoundment Act calling for Inflation Impact and Fiscal Impact Statements highlighting the implications of proposals on state and local governments; and by adjusting OMB's budget preparation procedures.)
6. Develop conformity on federal requirements regarding equal opportunity, citizen participation, environmental impacts, and the like. (Achievable following a negotiation process involving all interested parties conducted by the chief management official at OMB or its successor management agency.)
7. Develop commonly used definitions for the key terms now being interpreted by each department in administering federal aid, including: "local government," "tax effort," "tax capacity," "poverty level." (Achievable following a negotiation process involving all interested parties conducted by the chief management official at OMB or its successor management agency.)

8. Develop performance standards for testing the timeliness of federal processing of grant applications. (Achievable through OMB's existing authority.)
9. Revise the Federal Regional Councils as agents for coordinating the federal aid system. (Achievable by either abolishing councils or assigning permanent staff and a full-time director to each regional office and developing policy limiting the occasions on which FRC decisions could be overruled in Washington.)
10. Use letter of credit-type procedures for grant recipients as a way to bridge cash flow problems for recipients and as an interest savings device for the federal government. (Achievable following enactment of federal legislation.)

The Government Organizations Cluster will develop a detailed options paper/action plan covering actions possible during the transition and after January 20 for those items from the above list deemed of high priority. It will also provide liaison with the large number of groups actively interested in these interrelated issues.



## Appendix A

### Executive Reorganization Authority Under Act which expired in 1973

(Chapter 9 of title 5 of the United States Code (5 U.S.C. 901-913, Reorganization Act of 1949, 63 Stat. 203, as amended))

What the President could do . . .

- o Transfer all or part of an agency or function to another agency.
- o Abolish all or part of the functions of an agency or the agency itself.
- o Consolidate (or coordinate) all or part of an agency or function with all or part of another agency or its functions.
- o Authorize an officer to delegate his functions.
- o Change the name of an agency or the title of its head.
- o Provide for the appointment and pay of the head and officers resulting from a consolidation or other reorganization.

What the President could not do . . .

- o Create a new Executive (cabinet level) department.
- o Abolish or transfer an Executive department.
- o Abolish or transfer all of the functions of an Executive department.
- o Consolidate two or more Executive departments or all the functions thereof.
- o Continue an agency or function or office beyond the time established by law for its termination.

? - o Authorize an agency to perform a function not expressly authorized by law.

o In submitting reorganization plans ---

o submit more than one plan within any thirty-day period;

? / o submit a plan dealing with more than one logically consistent subject matter.

Significant provisions in previous versions of executive reorganization authority not contained in the 1971 version of the Reorganization Act of 1949 (chapter 9 of title 5 of the United States Code).

- o Permanent authority, not subject to periodic extensions by the Congress. (Executive Reorganization Act of 1932 (title IV of the act of June 30, 1932, 47 Stat. 413))
- o Authority to create new Executive departments. (Reorganization Act of 1949 (63 Stat. 203))
- o No congressional disapprovals. (Act of Mar. 3, 1933, 47 Stat. 1517)
- o Congressional rejection by concurrent resolution. (Reorganization Act of 1939 (53 Stat. 561), Reorganization Act of 1945 (59 Stat. 613))
- o Congressional rejection by majority of the authorized membership of either House. (Reorganization Act of 1949 (63 Stat. 203)) (Under present law, either House of Congress may reject a reorganization plan by simple majority vote of those present and voting.)

**CARTER - MONDALE**  
**TRANSITION PLANNING GROUP**

*David Sive*

P.O. Box 2600  
Washington, D.C. 20013

January 6, 1976 [1977]

MEMORANDUM FOR THE PRESIDENT-ELECT

FROM : Barbara Blum

SUBJECT: Council on Environmental Quality

I spoke to Ham on January 3 to discuss with him my interest in three positions in which I felt I could serve you well. One of the positions was Under Secretary of the Interior, one was Assistant Secretary for Fish, Wildlife and Parks (Interior Department), and the other was Chairman of the Council on Environmental Quality. At that time Ham said that he felt the CEQ would be abolished.

The following is not a plea to save a job for me because I will, as I always have, serve you in whatever capacity you need and want me. Rather, the memo is to alert you to my feelings regarding the major political and legal liabilities of abolishing the CEQ.

Funds have already been appropriated, authorized and signed for the CEQ for FY 77 and 78. Under the terms of the Congressional Budget and Impoundment Control Act of 1974, these funds must now be spent for the designated purpose. Although there are two courses of action you might have followed to defer or avoid expending these monies under the Act, the time limit for such action has long since passed. Had your deferral or rescission request been timely filed, there could have been as much as 45 days delay before Congress voted it up or down. Given the popularity of the CEQ, that vote would most likely have been negative.

The elimination of the Council on Environmental Quality therefore must await FY 79 appropriations and even then should be presented as part of an overall reorganization package, with its core purposes retained in some other office.



The Council on Environmental Quality has five major statutory and executive foundations:

1. The National Environmental Policy Act of 1969.
2. The Environmental Quality Improvement Act of 1970.
3. Executive Order 11514 (1970).
4. The Non-Nuclear R&D Act of 1974.
5. Section 309 of the Clean Air Act.

The CEQ has been regarded widely as a high-quality organization, performing a vital function of independent, non-mission-oriented, environmental policy coordination and providing information to the President, the Congress, and the public on environmental trends. It has succeeded despite a lack of support from the Administration.

It is not likely CEQ's unique functions could be carried out by a "mission" agency such as EPA. The necessarily short-term exigencies of enforcing our pollution control laws make it improbable that an overworked and law enforcement-focused agency such as EPA could fill the breach if the CEQ were abolished. Primary strengths of the CEQ are its independence from mission and bureaucracy, its ability to flexibly serve the President, and its mandate to take the broadest view of environmental issues. Characteristically, it is the CEQ which brings attention to subtle but significant problems such as toxic and carcinogenic substances, land use and international environmental problems.

I feel strongly that there is a need in the Executive Office of the President for a broad-scoped view of environmental quality and trends. The responsibilities to oversee the actions of other federal agencies would be diminished and perhaps eliminated by removing the CEQ function from the Executive Office of the President. And a President concerned about environmental quality would find the Council a tremendously valuable resource.

The CEQ has been a focal point in the federal government for citizens interested in environmental quality. Indeed, the environmental community, together with the Congress, would try to block an attempt to abolish the Council. Amending the

National Environmental Policy Act to abolish the CEQ would be considered a catastrophic event in the environmental community. It is an unnecessary battle for FY 77.

A proposal to abolish the CEQ made by you as President would come at a time when public expectations are that the harassment of the CEQ by the White House and the OMB will finally be reversed. The CEQ has been shut out by Presidents who did not care to pay attention to environmental concerns and OMB has cut staffing levels over the past few years while at the same time, the responsibilities and need for complex and solid environmental information has increased. Instead of a reasonable staff level of about 65, OMB has ordered the CEQ to diminish its total staff to 40 people by the end of FY 77. Contrary to expecting the Carter Administration to deal a death blow to the CEQ, it is hoped by many -- perhaps assumed -- that the intention will be to restore the CEQ to the funding, staffing and prominence it deserves.